

*United States of America, et al. v.
UnitedHealth Group Inc. & Change Healthcare Inc.*

Dr. Gautam Gowrisankaran
Professor of Economics, Columbia University

Prof. Gautam Gowrisankaran

Overview

Horizontal Harm

Vertical Harm

Efficiencies & Commitments

Conclusion

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Vertical Harm

Efficiencies & Commitments

Conclusion

The proposed merger is likely to substantially lessen competition in the following ways:

United's acquisition of ClaimsXten is likely to substantially lessen competition due to both the **horizontal consolidation of first-pass claims editing solutions and the vertical concerns** of United controlling a key input for its rival health insurers

With control of Change's EDI clearinghouse, United would have the ability and incentive to **raise its health insurer rivals' costs for innovations built on Change's EDI connectivity**, which is likely to substantially lessen competition in the relevant health insurance markets relative to the but-for world

United will gain access and the **rights to use rival health insurers' competitively sensitive information**, which is likely to substantially reduce competition in the relevant health insurance markets relative to the but-for world

Prof. Gautam Gowrisankaran

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Relevant Markets

Identify **product**
and **geographic region**
in which **competitive concern** may arise

Analyze potential **substitutes**

Relevant Markets

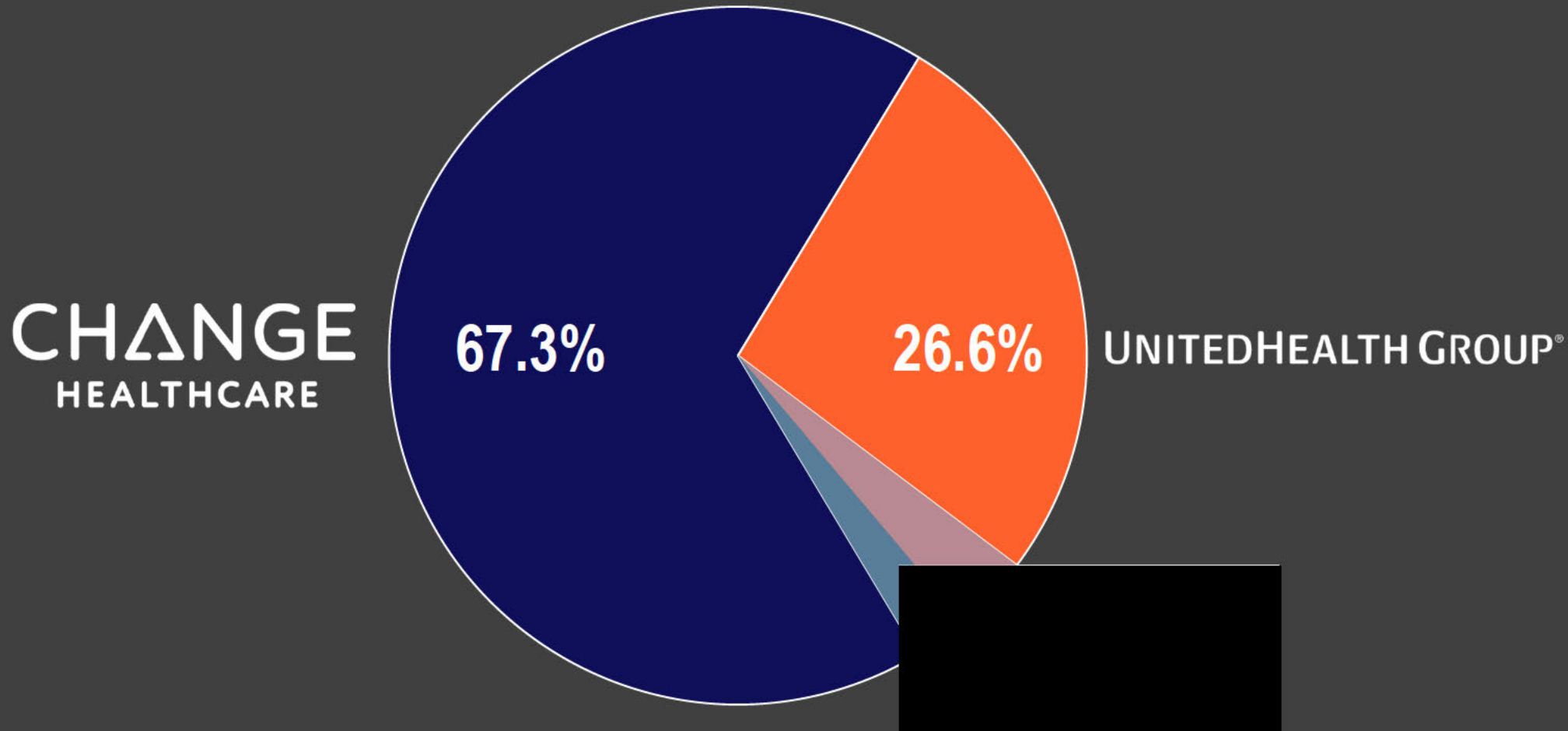
Hypothetical Monopolist Test:

Would a hypothetical monopolist likely find it profitable to impose at least a small but significant non-transitory increase in price (“SSNIP”)?

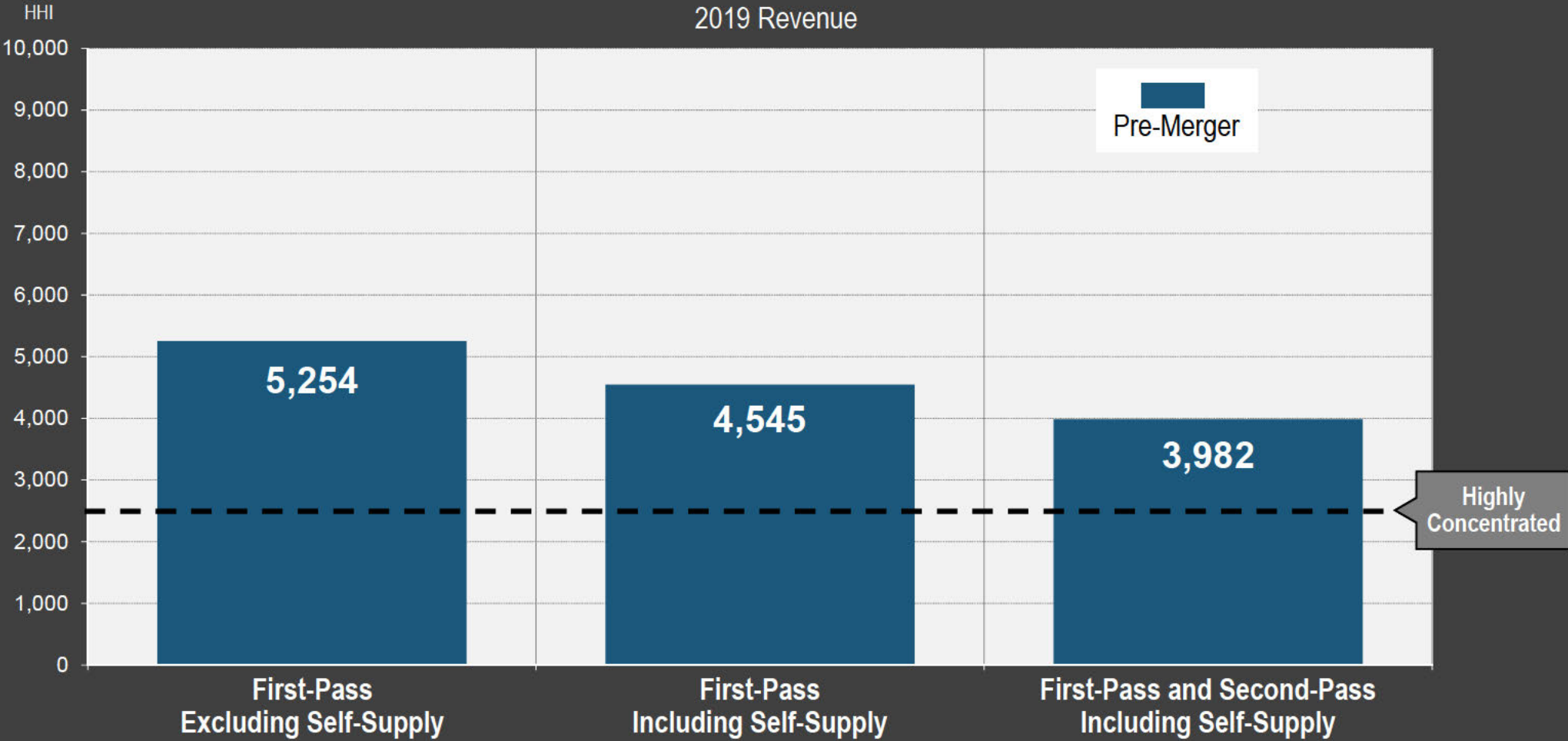
Relevant Market with Horizontal Harm

The proposed merger is likely to substantially lessen competition in the market for **the sale of first-pass claims editing solutions in the United States**

First-Pass Claims Editing Solutions Market Shares



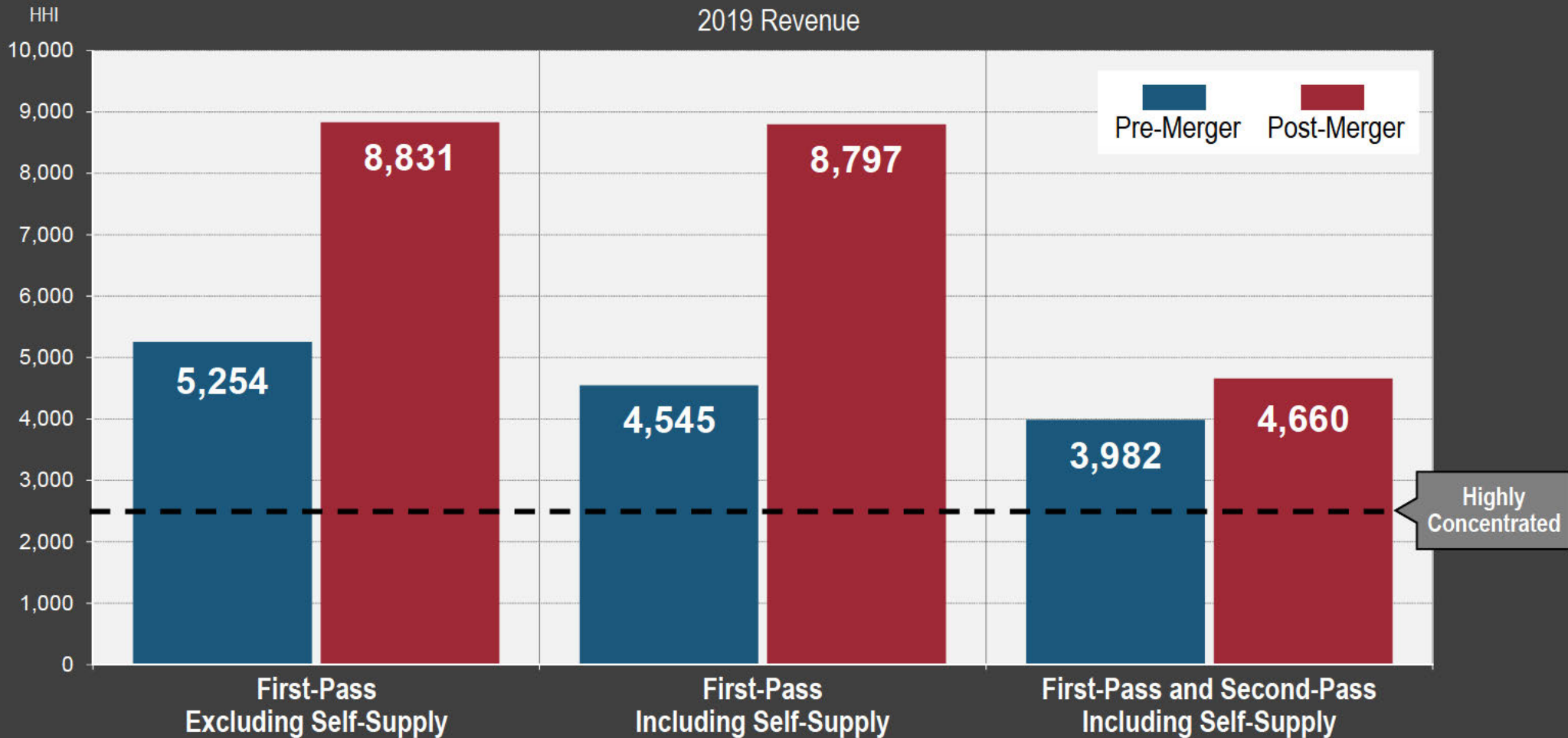
First-Pass Claims Editing Solutions: HHI Before Merger



Horizontal Harm

United's acquisition of ClaimsXten is likely to substantially lessen competition due to the **horizontal consolidation of first-pass claims editing solutions**

First-Pass Claims Editing Solutions: HHI Before and After Merger



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Relevant Markets with Vertical Harm

Sale of **commercial health insurance to national accounts** in the United States

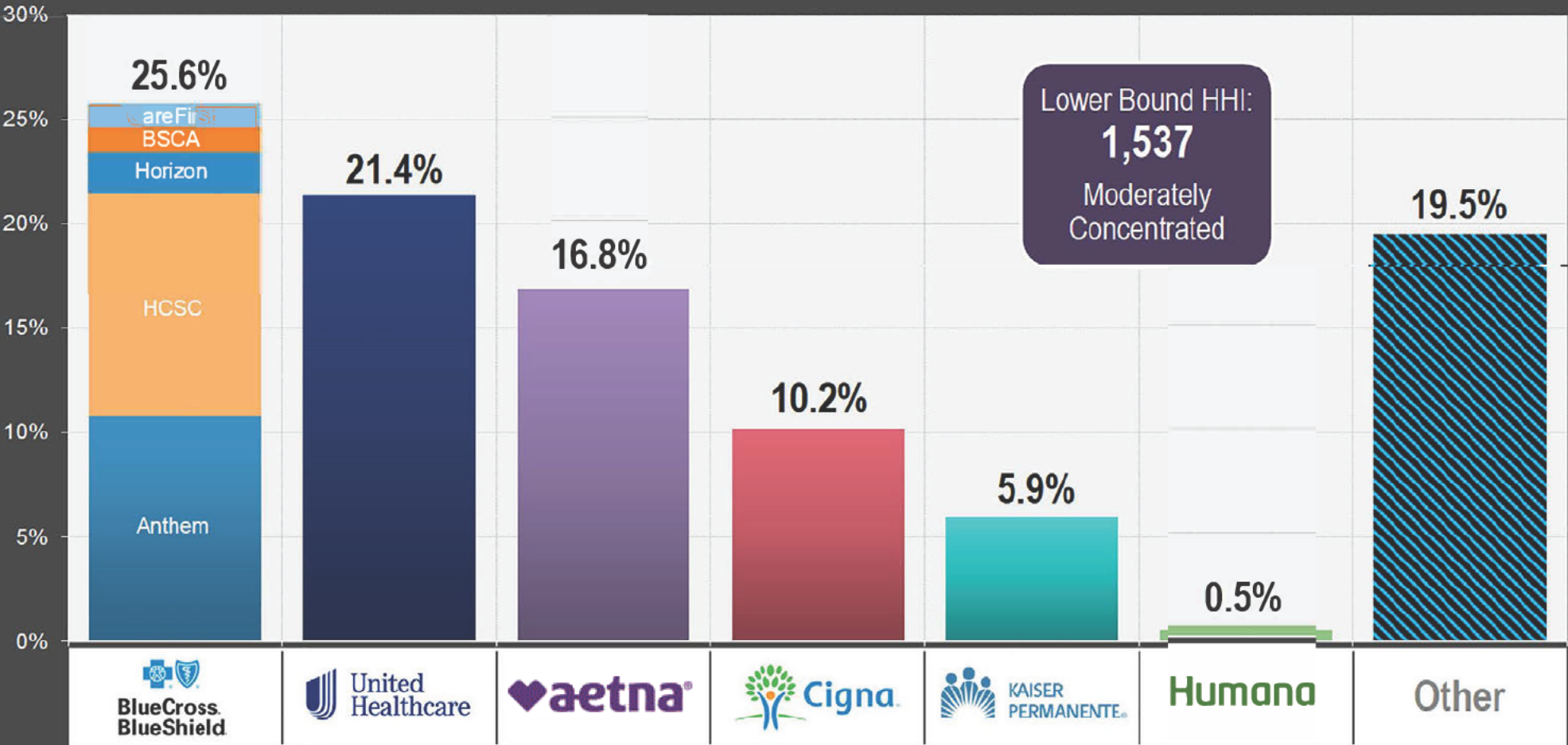
Sale of **commercial health insurance to large group employers** in Core Based Statistical Areas that are also Metropolitan Statistical Areas

Relevant Markets with Vertical Harm

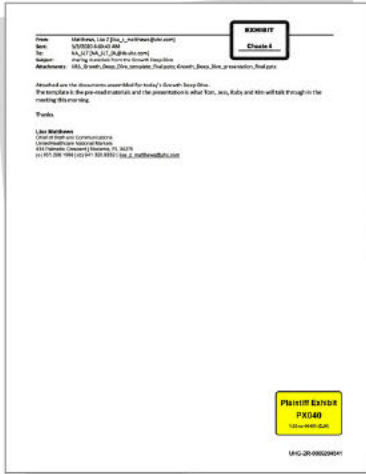
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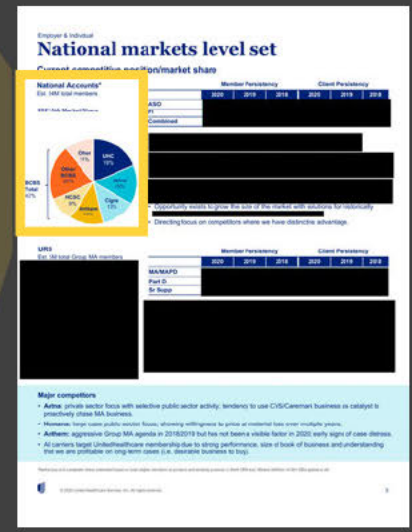
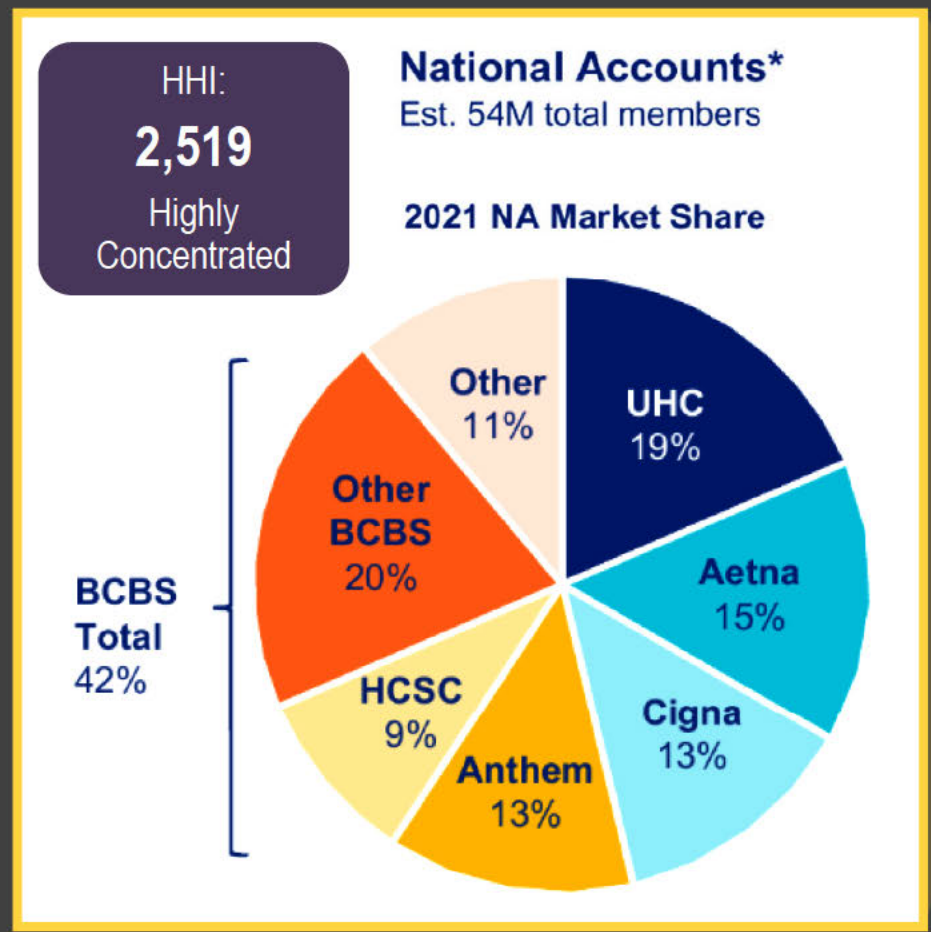
National Accounts Market Shares (2019)



United's National Accounts Market Share



United Healthcare
Growth Deep Dive
(2020)



Relevant Markets with Vertical Harm

Sale of **commercial health insurance to national accounts** in the United States

Sale of **commercial health insurance to large group employers** in Core Based Statistical Areas that are also Metropolitan Statistical Areas

Large Group Market Shares

SOUTH ATLANTIC

VA: Roanoke

GA: Atlanta, Sandy Springs,
Roswell

VA-NC: Virginia Beach, Norfolk,
Newport News

FL: Lakeland, Winter Haven

HHI
3,227

HHI
2,141

HHI
1,668

HHI
1,399

At least 42 MSAs Highly Concentrated
At least 45 MSAs Moderately Concentrated

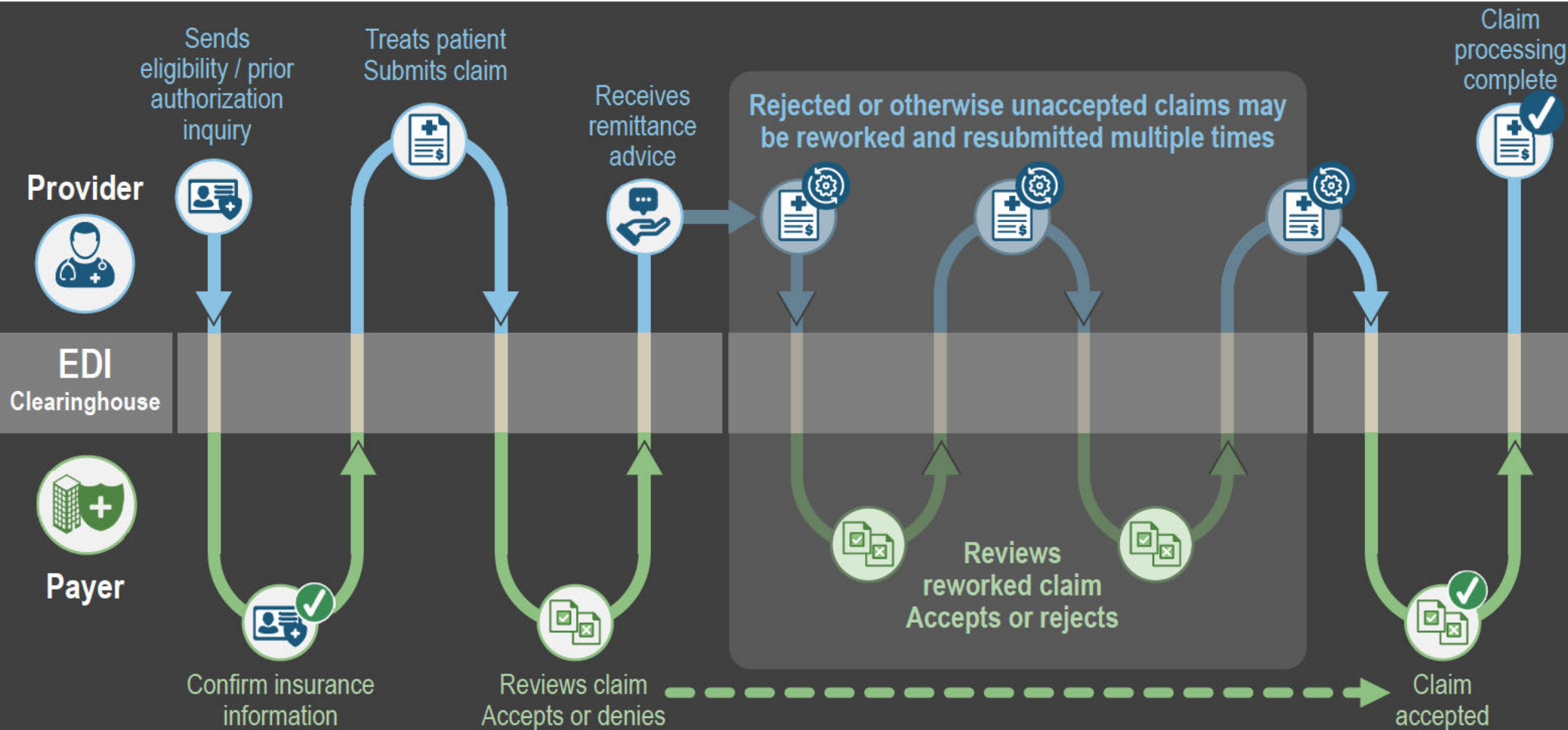
Related Products

EDI Clearinghouses

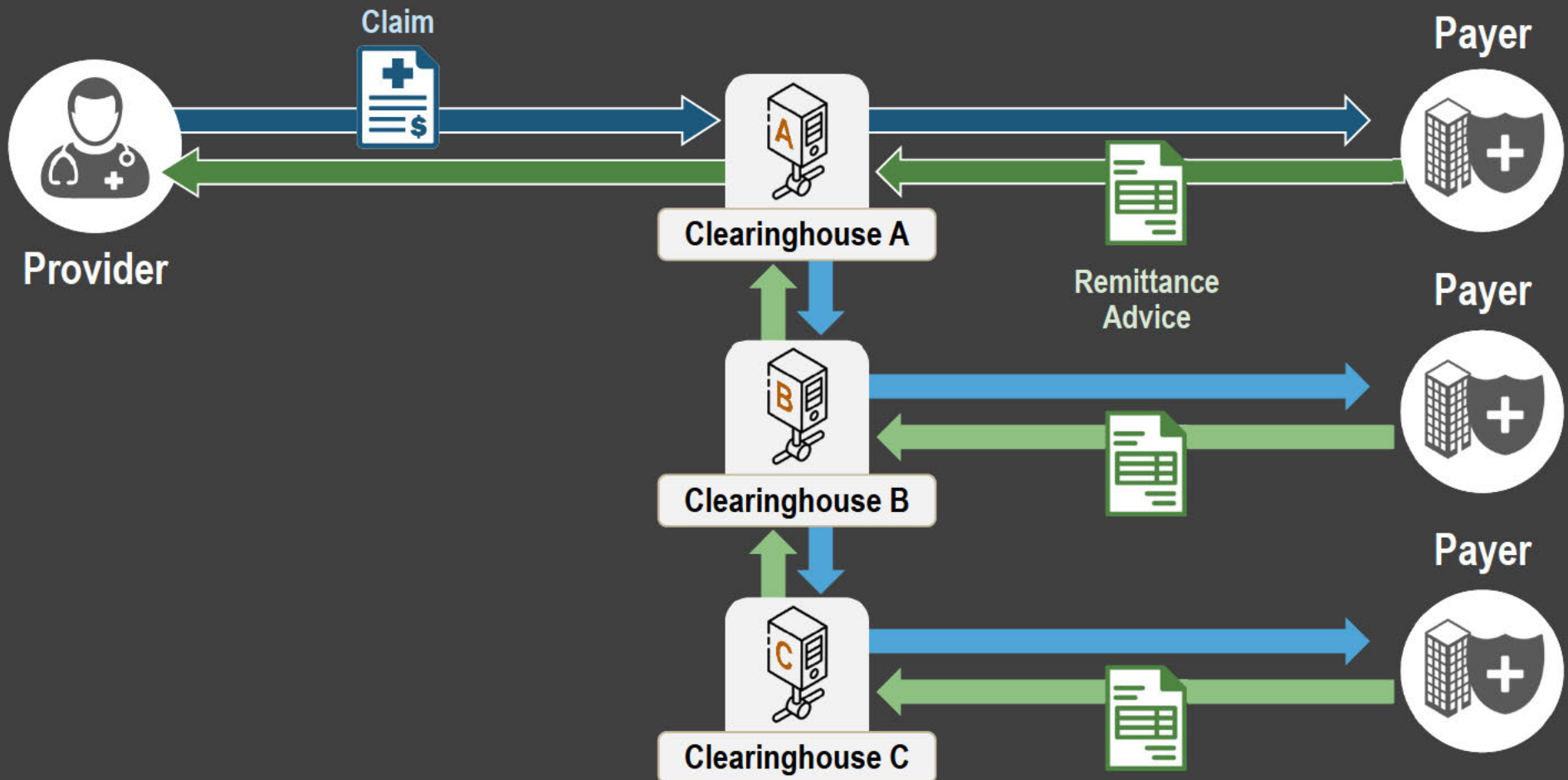
EDI-Related Innovations

First-Pass Claims Editing Solutions

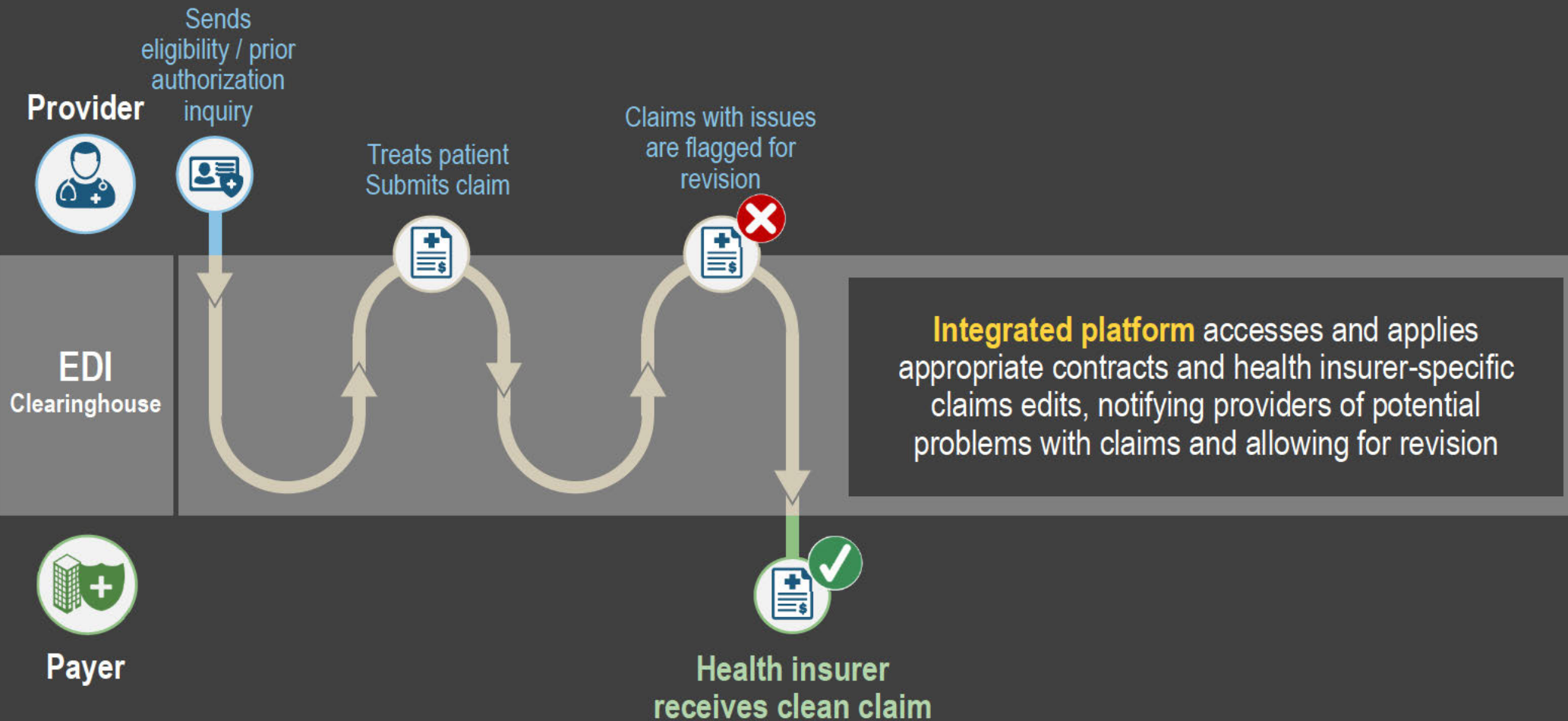
Lifecycle of a Claim



Transmission Paths of Claims



Vision for Denial-Free Lifecycle of a Claim



With control of Change's EDI clearinghouse, United would have the ability and incentive to raise its health insurer rivals' costs for innovations built on Change's EDI connectivity, which is likely to substantially lessen competition in the relevant health insurance markets relative to the but-for world

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- With the elimination of Change, United will have a unique advantage in developing innovations associated with EDI clearinghouses
- United will have an incentive to delay or limit sales of EDI-related innovations to rival health insurers
- Competition in the health insurance markets is likely to be harmed if United, instead of Change, controls these EDI-related innovations

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Core Building Blocks

Cambridge's capabilities are broadly complementary to OI's and could help bridge gaps. Further, it's recent investments in an integrated transaction platform with embedded intelligence and big data could help OI ma

Core building blocks of a frictionless platform

RCM software platform spanning e2e functions

Cambridge

✓ Technology platform and solutions to support 90% of core RCM functions

Intelligent transaction network and clearinghouse

✓ Industry leading clearinghouse/EDI network with nearly 50% market share

Platform for value added data/analytics services





















✓ Broad range of provider and Payer 'intelligence' offerings built off the clearing network

Payment integrity and Fraud Waste Abuse solutions

✓ ClaimsExten and InvestiClaim offerings span complete PI value chain

Collectively, Cambridge and OI could occupy a central place in the healthcare ecosystem with the ability to drive scale efficiencies in the near term and materially disrupt the current transaction model in the longer term i.e. from claims based to intelligent settle-and-clear to API/cloud-based peer to peer eventually

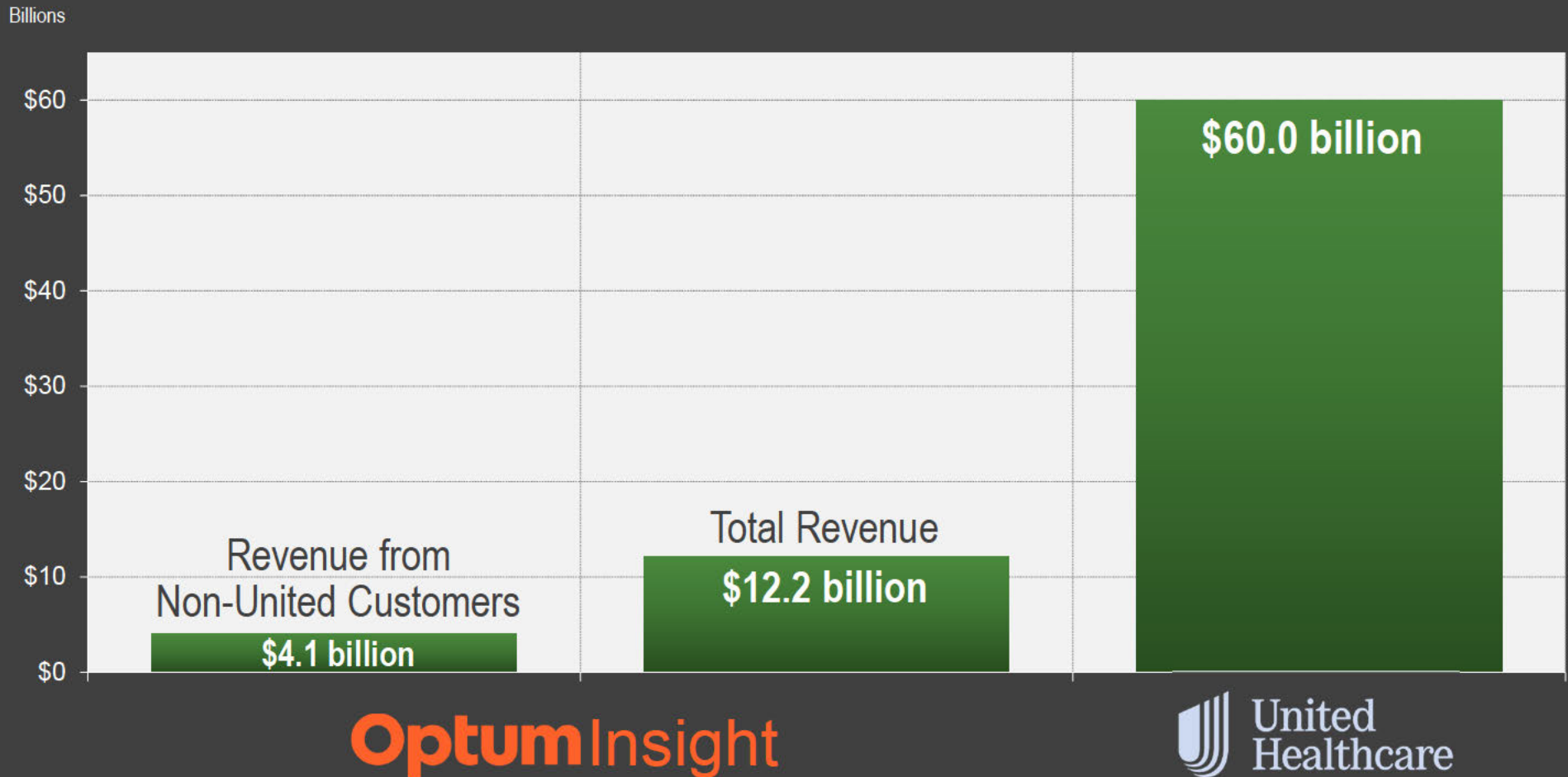
Core Building Blocks

	Revenue Cycle Management	EDI Clearinghouse	Claims Editing Solution
			
UNITEDHEALTH GROUP®			
			
			
			
			
			

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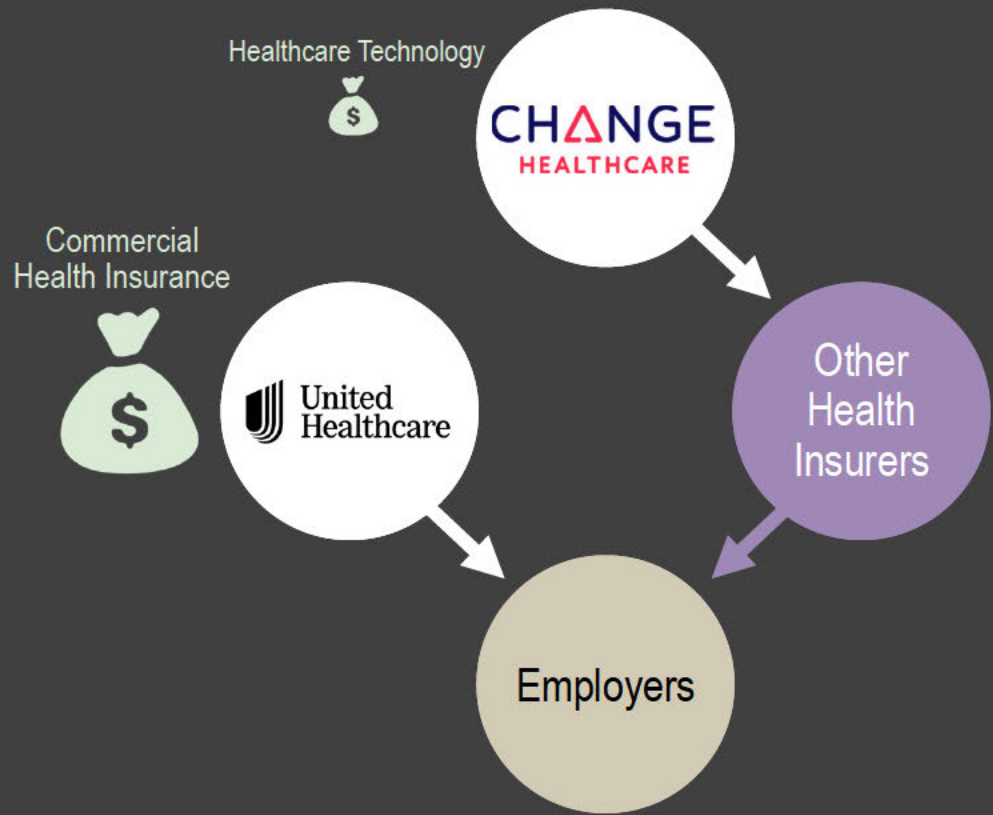
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OptumInsight vs. UHC Commercial Health Insurance Revenue (2021)



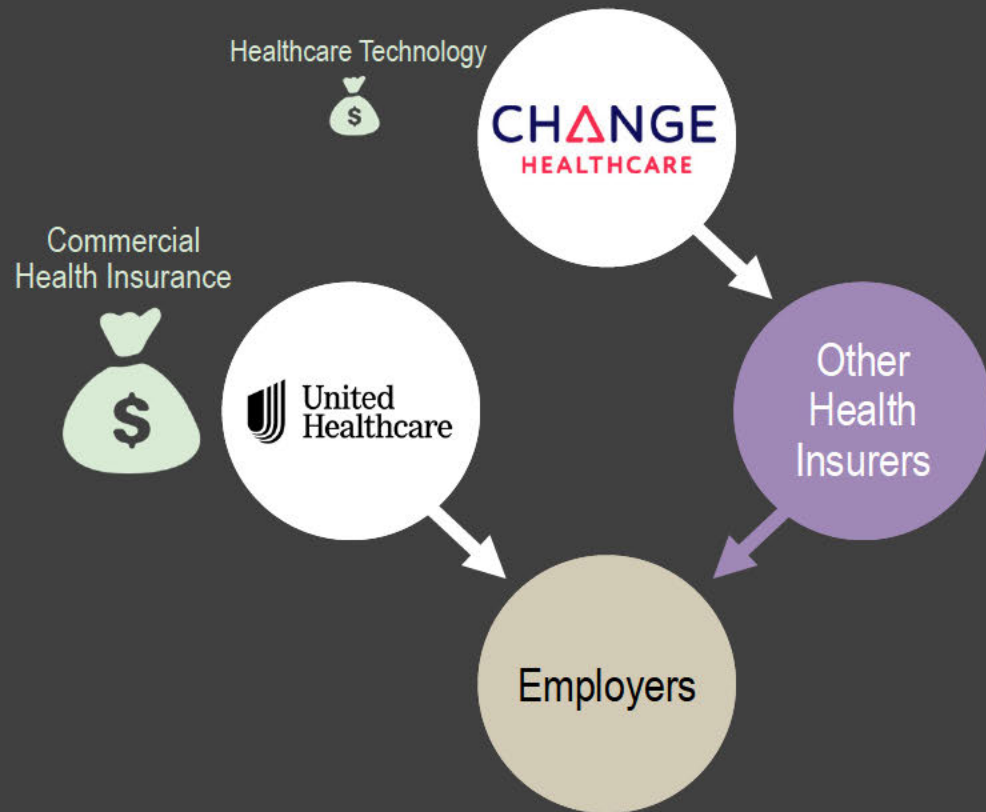
Vertical Harm: Raising United's Rivals' Costs

NO MERGER

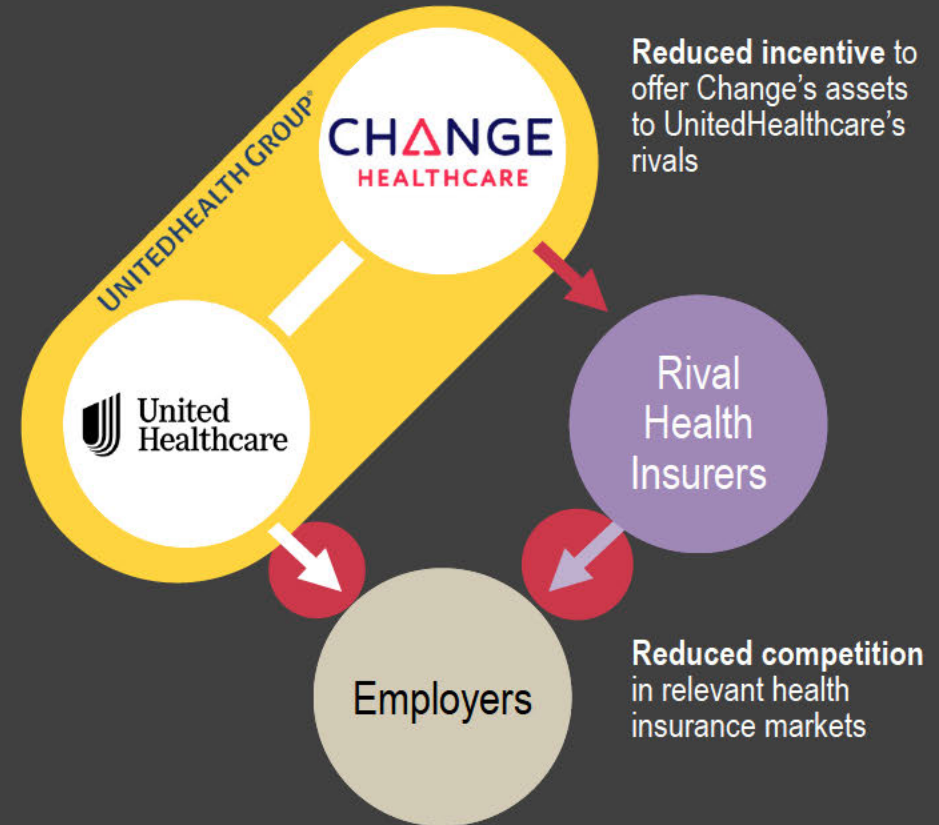


Vertical Harm: Raising United's Rivals' Costs

NO MERGER



MERGER



Vertical Math

Two Fundamental Pieces of Vertical Math Calculation

Foregone Upstream Profits

The total profits on foregone upstream sales to rivals

- Specify that United delays or limits sales of EDI-related innovations to its four largest rivals

Profits Gained Downstream

The total profits that United would gain for every member its rivals lose

- The profits United would obtain from each member it gains
- The percentage of members leaving targeted rival plans that United can expect to capture

Vertical Math

Two Fundamental Pieces of Vertical Math Calculation

Foregone Upstream Profits

The total profits on foregone upstream sales to rivals

- Specify that United delays or limits sales of EDI-related innovations to its four largest rivals
- **United's expected TN EBITDA (2026):** \$ [REDACTED]

Profits Gained Downstream

The total profits that United would gain for every member its rivals lose

- The profits United would obtain from each member it gains [REDACTED]
- The percentage of members leaving targeted rival plans that United can expect to capture [REDACTED]

Vertical Math

Two Fundamental Pieces of Vertical Math Calculation

Foregone Upstream Profits

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- Specify that United delays or limits sales of EDI-related innovations to its four largest rivals
- **United's expected TN EBITDA (2026): \$ [REDACTED]**

Profits Gained Downstream

The total profits that United would gain for every member its rivals lose

- The profits United would obtain from each member it gains: **\$ [REDACTED] per member per year***
- The percentage of members leaving targeted rival plans that United can expect to capture: **[REDACTED] %**

* Based on margin for Key Accounts and National Accounts

Vertical Math

Assess the Tradeoff

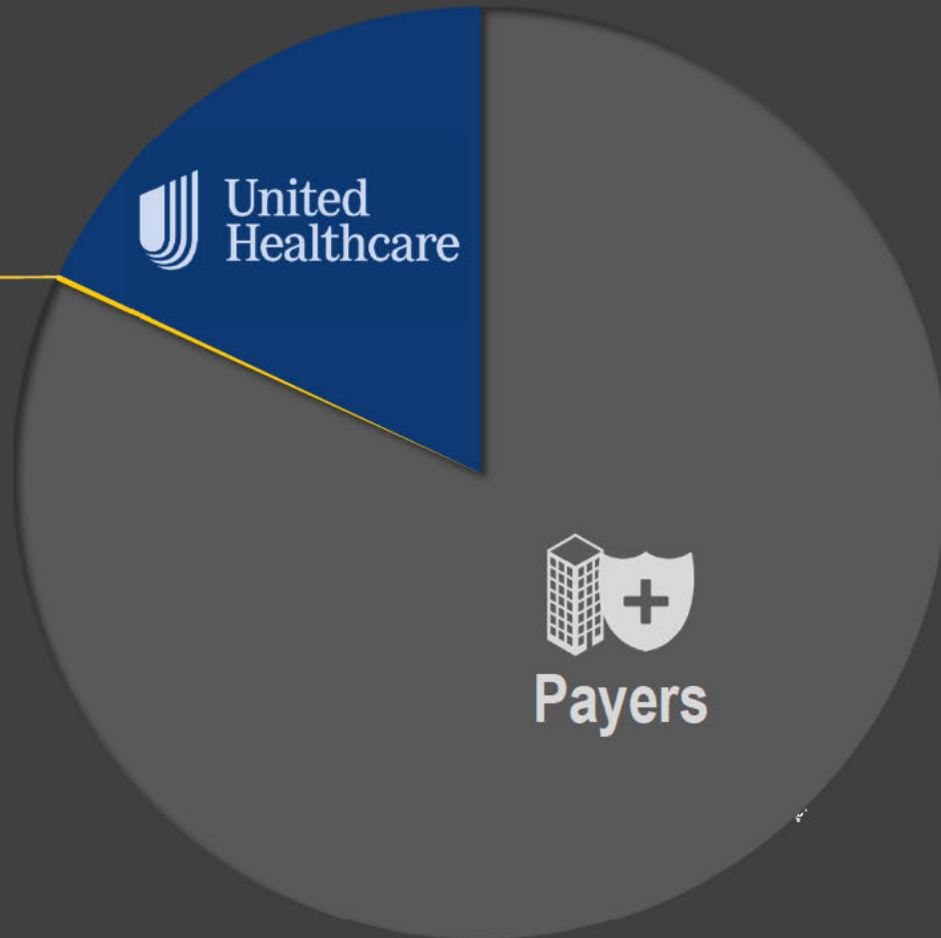
Foregone
upstream profits
(Transparent Network)
\$ [REDACTED]



How many new members
does United need to gain
at \$ [REDACTED] profit per member
per year to come out
ahead?

Vertical Math

United Would Need to Gain
0.2% Market Share
to Make Up for Lost Profits



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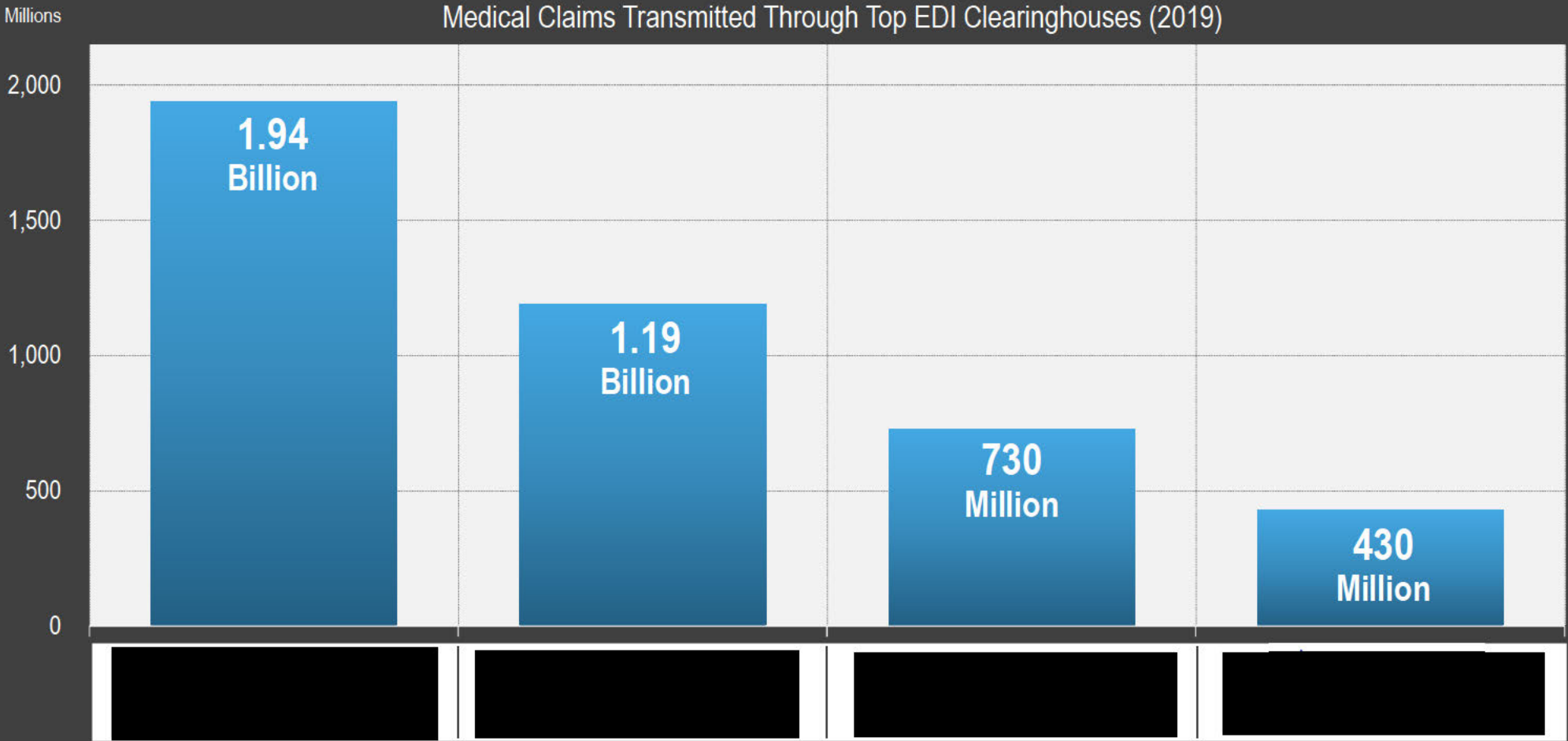
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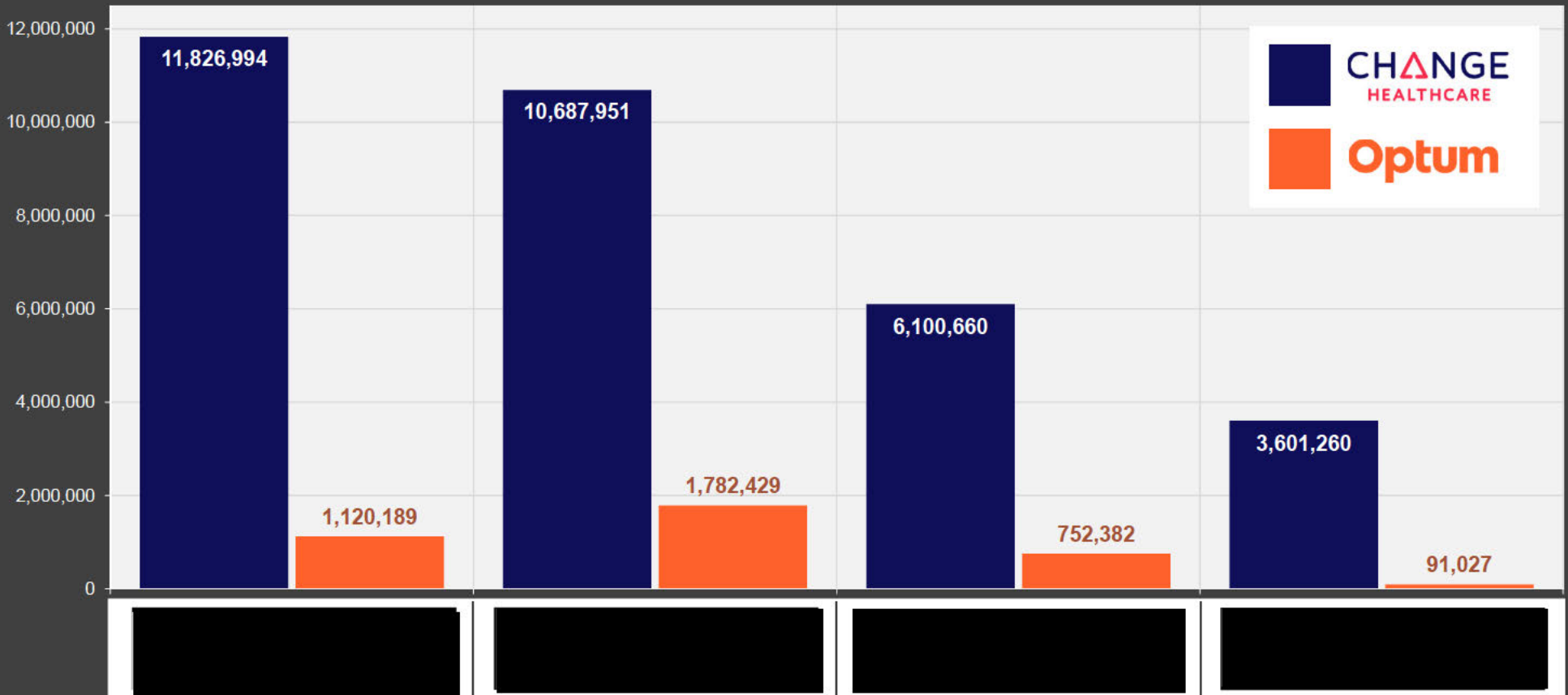
Data: The Largest EDI Clearinghouse



Data: Change Transmits Tens of Millions of Claims Each Month

Average Monthly Claims for Non-United Health Insurers Transmitted by Optum and Change EDI Clearinghouses – 2021

Average Monthly Claims



Data: Claims Data Transmitted by Change (Claim Counts)

Based on 2019 Commercial Claim Counts



Data: Claims Data Transmitted by Change (Adjudicated Value)

Project Cambridge Key Due Diligence Considerations

Enterprise Data Opportunities Due Diligence
Performed by: Paul Higday
12/13/2020

Estimated Cambridge data share as a percent of total market (Figure 1):

- Medical Claims: 50%
- Rx Claims/Scripts: 11%
- Dental Claims: 63%
- Consumer to Business Payments (e.g. copays): <1%
- Business 2 business Payments (e.g. insurance payments): 5%

**Project Cambridge
Key Due Diligence Considerations**

Enterprise Data Opportunities Due Diligence
 Performed by: Paul Higday
 12/13/2020

Work Performed

Due Diligence included a detailed review of information shared through the data room, including summaries of key Cambridge products and a research contact language. Additionally, the team conducted a management meeting with leaders responsible for Cambridge external data sales and reviewed publicly available Cambridge marketing materials.

The focus for this report is Internal (Optum and UHG) opportunities to use data across the enterprise to advance the delivery of healthcare. A separate due diligence team focused on commercial data opportunities and external due diligence on data rights. These topics are covered in detail in their reports.

Objectives

- Due Diligence Objectives:
 - Gain a robust understanding of the data available, limits on its uses, management and governance approach and internal and external sales.
 - Identify potential use cases of the combined data assets of Optum and Cambridge.

Cambridge processes ~1.5T in annual claims volume, and has permission to use deidentified claims data for about 65% of the claims data generated over \$900B by their Network Solutions business. Outside of Network Solutions their data rights are primarily limited to using data within the system where it is generated (e.g. mapping data is limited to the mapping solutions). Securing additional data rights is typically a very slow process requiring multiple years of effort. Companies are separated into near-term (<2 years) and long-term (>2 years) based on the data rights Cambridge has secured.

Estimated Cambridge data share as a percent of total market (Figure 1):

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- Dental Claims: 63%
- Consumer to Business Payments (e.g. copays): <1%
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Key Data Sources:

- Network Solutions:
 - Advanced Claims Management: Connects 600,000 physicians, 6,000 hospitals, 2,100 payers with direct connections to nearly all government and commercial payers. Provides payer-specific rules and coding to improve auto-adjudication rates and reduce cost per claim. Key data: Pre & post adjudication claims, claims sets, denial rates.
 - CLAIMING & REIMBURSEMENT: Delivers claims (500,000) from providers to payers, and delivers \$80e (\$35) from payers to providers. Also supports claim status inquiries (750,000), as well as claim attachments. Key data: Provider claims, claim payment amount, claim payment method, deductible, co-insurance status.
 - Claims Automation: Converts paper claims or claim images to E2E transactions. Key data: same as CLAIMING & REIMBURSEMENT.



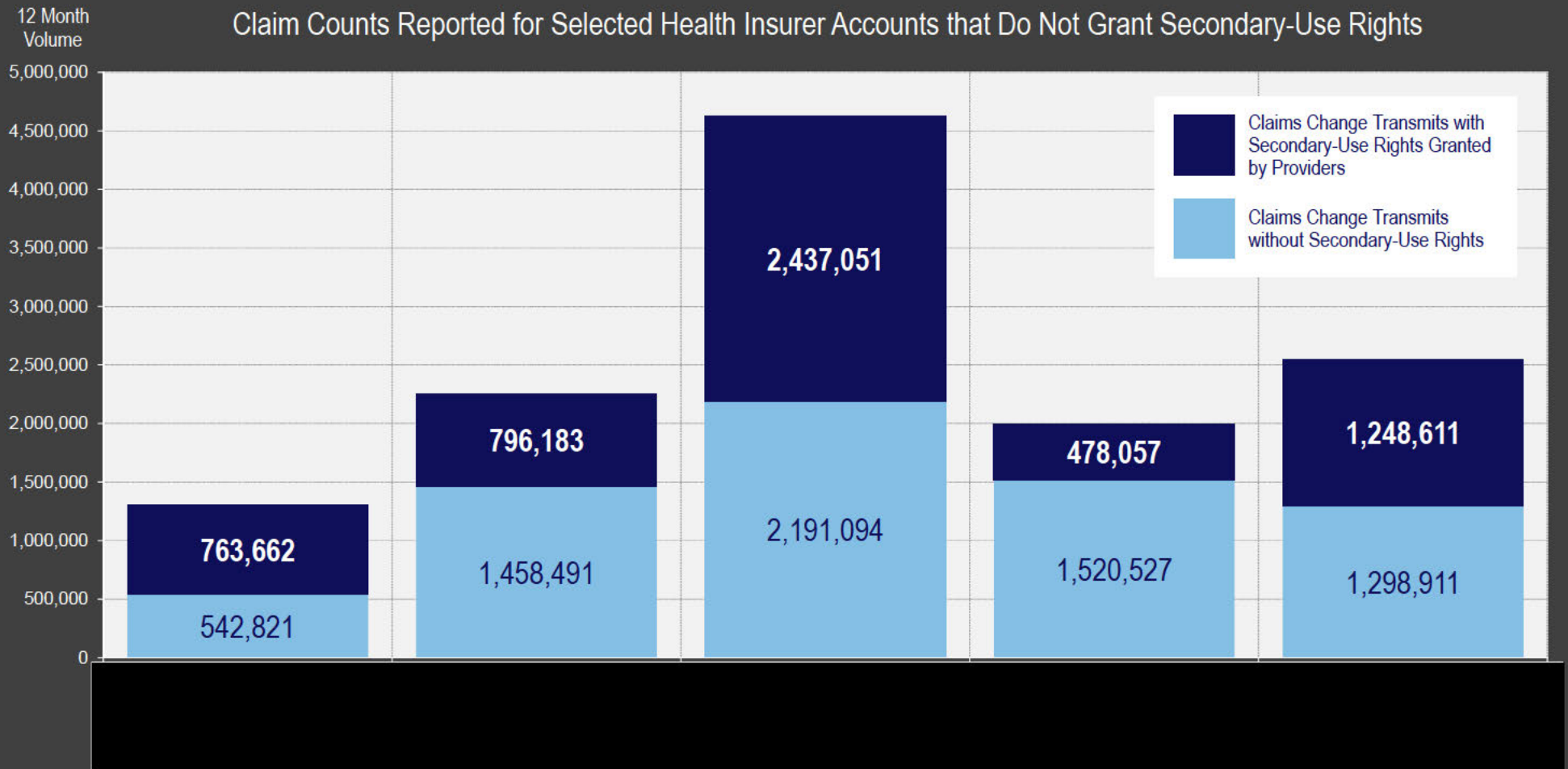
Optum Due Diligence on Change (“Cambridge”) (2021)



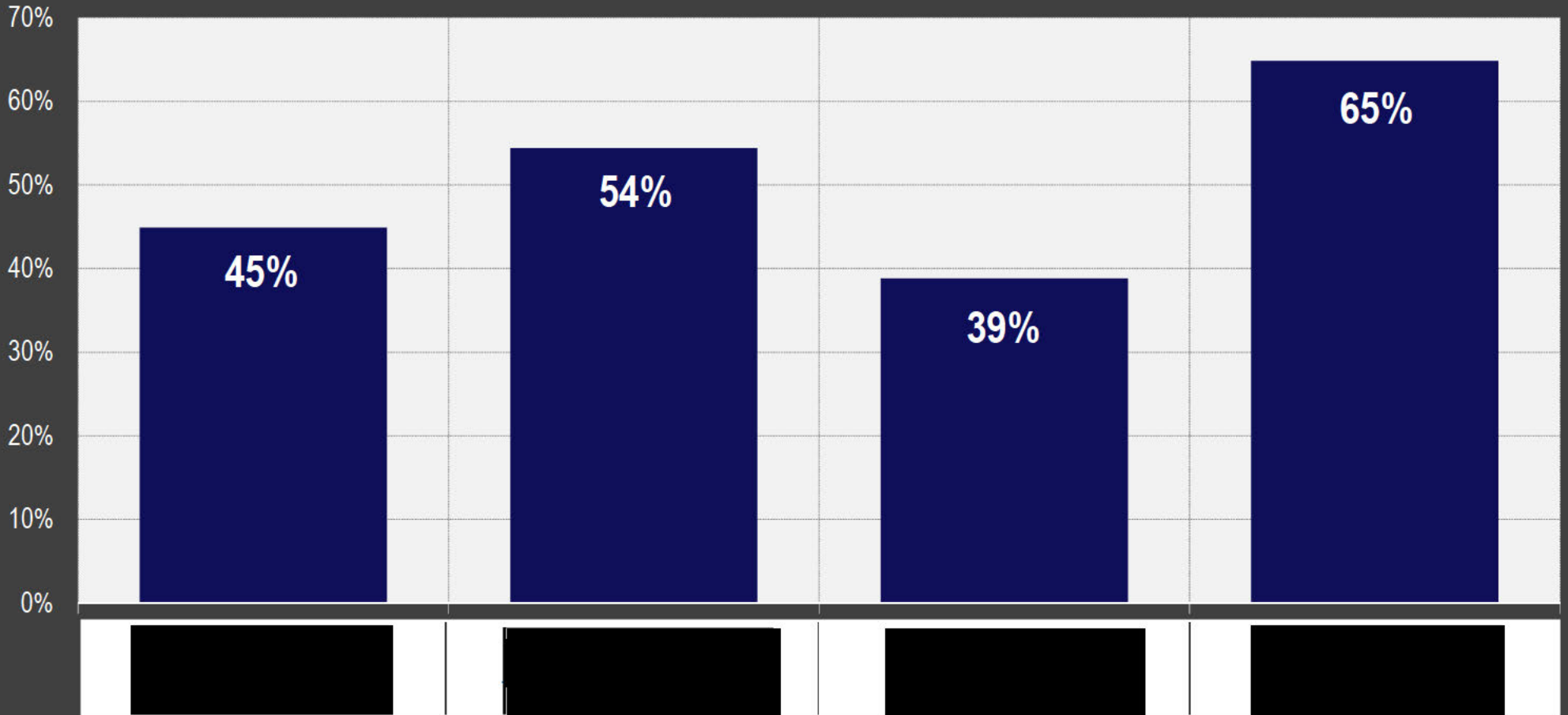
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Rights: Change's Partial Analysis of Secondary-Use Rights



Rights: Change's Share of Claims with Secondary-Use Rights (2019)



Secondary Use Rights



Tim Suther

Senior VP and GM
of Data Solutions,
Change

CHANGE
HEALTHCARE

Q. And you were writing to describe how Change should classify the secondary-use rights it receives in its new contracts?

A. Yes.

* * *

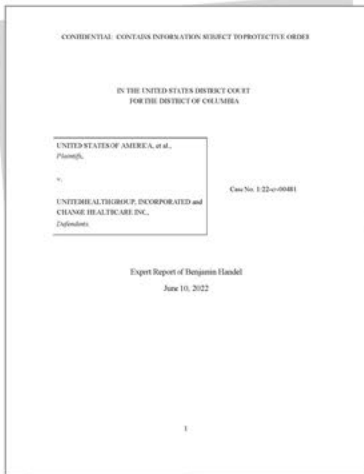
Q. And the first category you identified is **unfettered rights**; correct?

A. Yes, which is our **standard data rights language**.

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Competitively Sensitive Information



**Expert Report of
Dr. Handel**

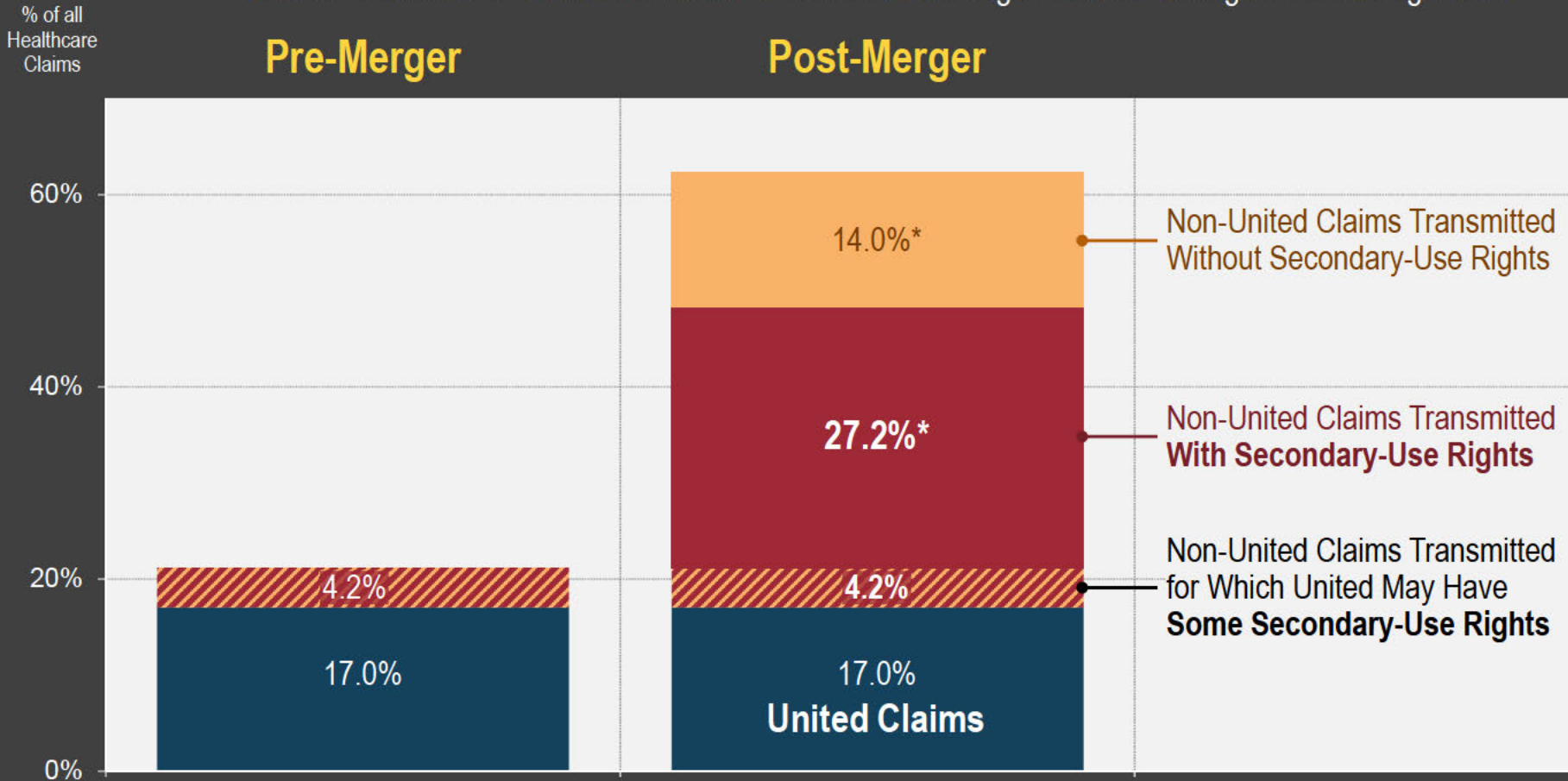
United could gain insights about its health insurance rivals' activities, including activities related to: (i) utilization management tools, (ii) negotiations of reimbursement rates with providers, (iii) provider network design, and (iv) claims edits.

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United Would Gain Substantial Secondary-Use Rights

Based on 2019 Commercial Claim Counts Transmitted through United or Change EDI Clearinghouses



*Based on estimate that Change has secondary-use rights for 60% of claims. See PX027 ("Project Cambridge Key Due Diligence Considerations") at -9715.

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The U-Factor

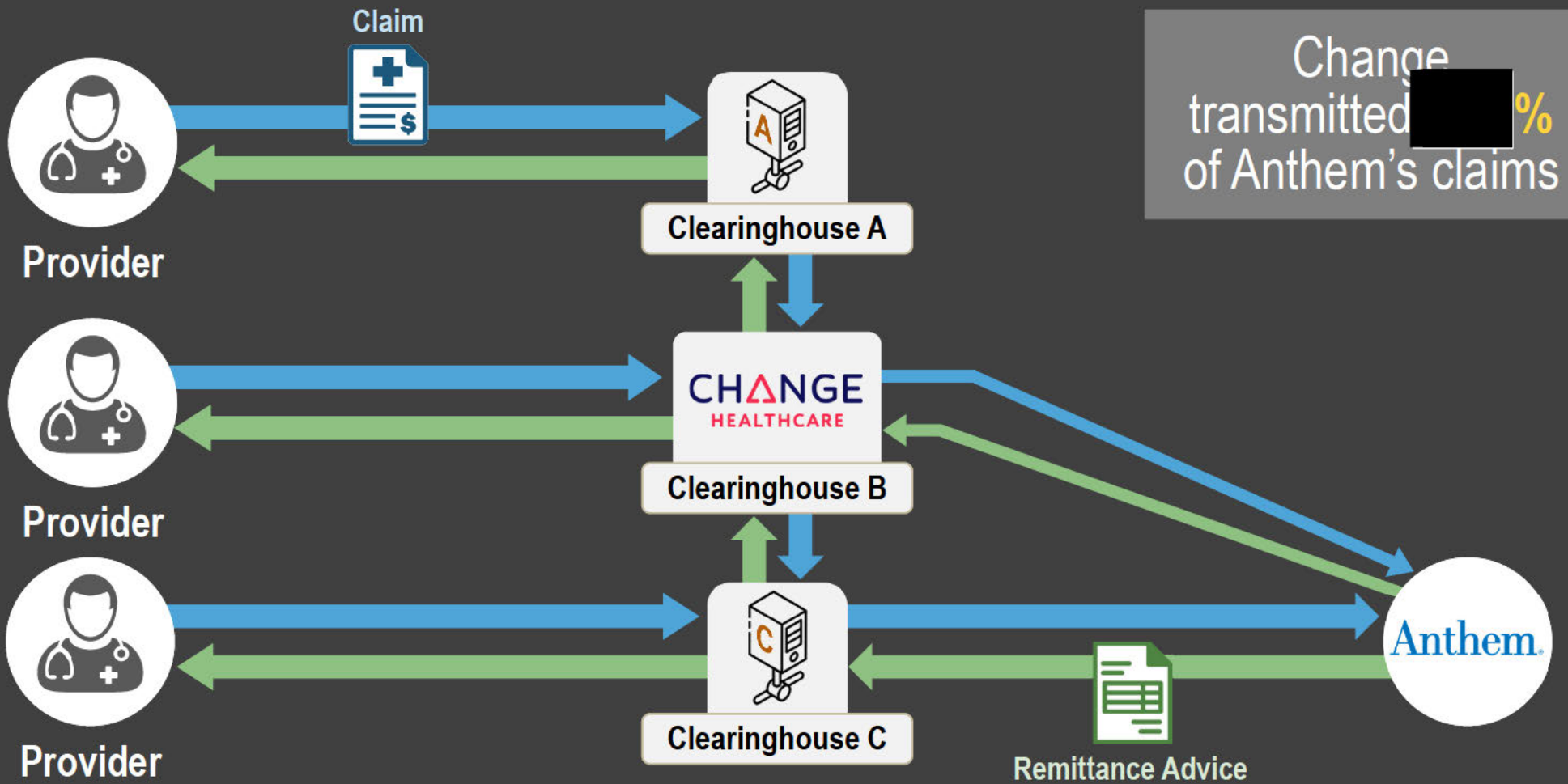


Erin Schmuker
Transparent
Network Vice
President, Optum

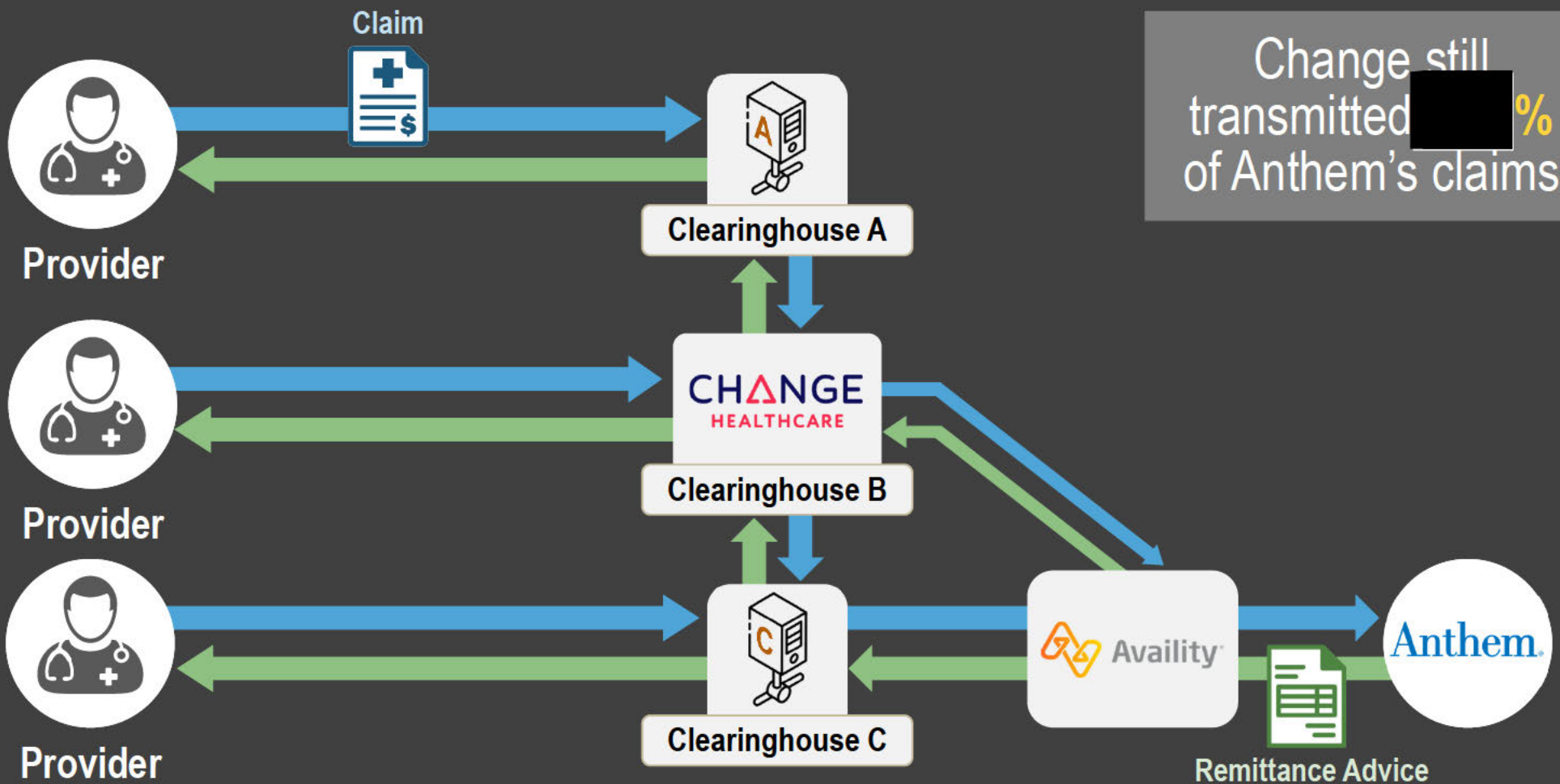
Optum

- Q.** In particular, some payers who competed directly in the market with UnitedHealthcare have objected to Optum based on the U-factor and, therefore, would have preferred to do business with another entity, correct?
- A.** Yes.

Transmission Paths of Claims: Anthem (2018)



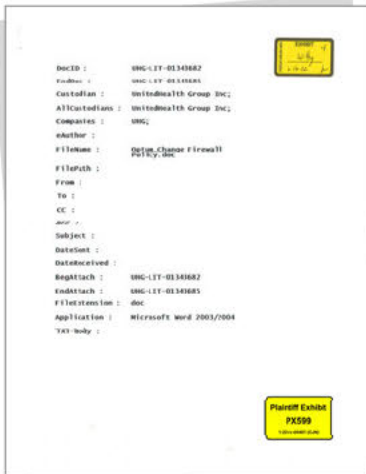
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Optum's Firewall Policy



Optum's Firewall Policy (May 2022)



Optum Policy Summary
FOR INTERNAL USE ONLY

Optum

**Optum Policy Summary
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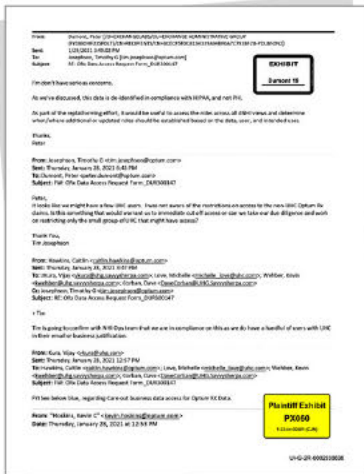
Policy Information			
Policy Title	UnitedHealth Group Firewall Policy for Optum Insight and Change Healthcare	Current Version Publish Date	05/12/2022
Version	1.0	Original Effective Date	05/12/2022
Policy Identifier	ID-33397		

- Provider reimbursement rates, fee schedule, discounts, billed amounts, allowed amounts, paid amounts, or reimbursement methodologies
- Subscriber, member, or health plan premiums, prices, administrative fees, discounts, cost share amounts, or plan or benefit design
- Data, including claims data, financial data (profit, margin, revenue, and cost information), utilization data, discharge data, or subscriber or member data
- Bids or proposals for new accounts or customers and the geographic regions, products, and customers in which companies sell or market their products or services
- Proprietary business plans, strategies, policies, or guidelines related to sales and marketing, new, non-public innovations, products, services, markets, claims and payment efficiency, risk management and quality performance, or revenue cycle

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Confidential UHG-LIT-01343082

Mistakes Happen



Optum Emails
(January 2021)



From: Josephson, Timothy G <tim.josephson@optum.com>
Sent: Thursday, January 28, 2021 6:43 PM
To: Dumont, Peter <peter.dumont@optum.com>
Subject: FW: ORx Data Access Request Form_DUR300147

Peter,

It looks like we might have a few UHC users. I was not aware of the restrictions on access to the non-UHC Optum Rx claims. Is this something that would warrant us to immediately cut off access or can we take our due diligence and work on restricting only the small group of UHC that might have access?

Thank You,
Tim Josephson

One year later, there were still employees with UHC e-mail addresses with permission to access the datasets in question

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